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RHMFISS/DEPT OF HOMELAND SECURITY WASHDC
RHEHNSC/NSC WASHDC
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S E C R E T SECTION 01 OF 03 BEIJING 020073

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USDOC FOR 532/BIS/OEA/TANDRUKONIS/LLAUCIUS
USDOC FOR 532/BIS/OEE/JSONDERMAN/MOBRIEN PLEASE PASS TO
BOFO AND WAFO
USDOC FOR 532/BIS/EA/ALOPES
STATE FOR EAP/CM
STATE FOR EB/ESP
MOSCOW FOR FCS/DPEARCE
SHANGHAI FOR FCS
SHANGHAI FOR CONS/CJESS/CMACHIN
SHANGHAI FOR POL/MTARNOWKA
NSC/PROSTRAT
DEPARTMENT OF HOMELAND SECURITY FOR IMMIGRATION AND CUSTOMS
ENFORCEMENT

E.O. 12958: DECL: CESSATION OF EXPORT CONTROLS TO CHINA.
TAGS: [BEXP](#) [CH](#) [ETRD](#) [ETTC](#) [PREL](#)
SUBJECT: POST-SHIPMENT VERIFICATION: D321423 AND D321151
CHINA OCEAN MINERAL RESOURCES RESEARCH AND DEVELOPMENT
ASSOCIATION

REF: A. A) USDOC 1803 (04/26/05) B) ANDRUKONIS-CHU
E-MAIL 05/25/05
[1](#)B. C) BEIJING 9437 (06/09/04) D) USDOC 1768
(04/20/04)

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Classified By: Commercial Minister-Counselor Barry Friedman for reasons
1.5, b,d,e

(U) Unauthorised disclosure of the information provided below
is prohibited by Section 12(c)
of the Export Administration Act.

[1](#)1. (U) REFTEL A requested a Post-Shipment Verification (PSV)
end-use check to be conducted at the
CHINA OCEAN MINERAL RESOURCES RESEARCH AND DEVELOPMENT
ASSOCIATION (COMRA) in order to determine
that COMRA is in possession of commodities shipped against
USDOC license applications D321523,
D321151 and D320998. Subsequent e-mail exchanges (REF B)
between BIS/OEA and ECO directed ECO to conduct two
Post-Shipment Verifications; one covering cameras licensed
under D321523 and D321151,
and a separate PSV on syntactic buoyancy foam licensed under
D320998. REFTEL C reported on a
favourable Pre-License Check conducted on COMRA as requested
in REFTEL D.

2) (SECRET N/F) STRICTLY PROTECT: COMRA is engaged in the
design and development of a deep-sea submersible, known as
the HOV (Human Occupancy Vehicle), to be placed on board the
DA YANG YI HAO,
an oceanographic research vessel. The DA YANG YI HAO is owned
by COMRA, which is under the control of China's State Oceanic

Administration (SOA). There is extensive reporting regarding the possible intelligence collection capabilities and suspected activities of the DA YANG YI HAO (see in particular Coast Guard Intelligence Assessment CG-2232-005-06 dated April 12, 2006 (SECRET/NOFORN)). According to COMRA officials and other reporting, the DA YANG YI HAO recently completed a year-long world-wide deployment to conduct surveys and mapping of sea beds. According to COMRA officials, the DA YANG YI HAO has recently been fitted with an A-frame designed specifically to lift and lower the HOV submersible. The DA YANG YI HAO, which makes its home port in Qingdao, Shangdong Province, will be deployed to the South China Sea in late 2007 for sea trials to test the HOV.

12. (U) On May 9, 2005, ECO requested that the Department of Science and Technology of the Ministry of Commerce (MOFCOM), arrange a Post-Shipment Verification visit to COMRA in accordance with the Exchange of Letters on End-Use Visit Understanding (EUVU). In subsequent protracted negotiations, MOFCOM initially advised that the commodities had not been received by the end-user and later stated that the commodities had been detained by China Customs. On August 12, 2006, MOFCOM scheduled a Post-Shipment Verification visit for August 19, 2006, on items shipped against export licenses D321523 and D321151 only. MOFCOM further advised that syntactic buoyancy foam shipped against export license D320998 are still not in the COMRA's possession.

13. (SECRET) On August 19, 2006, ECO, accompanied by MOFCOM official WEI Jie, conducted a site visit at the CHINA SHIP SCIENCE RESEARCH CENTRE (CSSR)

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located at Tai Hu, Wuxi, and met with Dr. LIU Feng, the director of the HOV (Human Occupied Vehicle) submersible project and Dr. XU Qinan, the designer of the HOV submersible. ECO observed a full-scale mock-up model of the HOV submersible, which was constructed using a steel frame and fiberglass panels. The model included a fiberglass bathysphere, spherical ballast chamber and fins. Drs. LIU and XU stated that the bathysphere, ballast chamber and frame on the actual HOV submersible will be constructed of titanium and further informed ECO that these components are currently being manufactured in Russia at an unspecified facility. The components will then be shipped to China for final assembly. In response to specific questioning by ECO, COMRA officials stated that China lacks the technical ability to fabricate these parts out of titanium so had to source from Russia. COMRA officials did not provide details regarding the extent to which Russia may have cooperated in the design and/or development of the HOV submersible, however, Dr. XU claimed all credit for the design of this vessel. Additionally, the syntactic buoyancy foam was also fabricated in England by Emerson & Cuming Composite Materials, again because according to COMRA, China lacks the technical ability to machine this material correctly. The HOV submersible will measure eight metres long upon completion and be capable of operating at a depth of 7000 metres. The bathysphere will be capable of sustaining a three-person research crew underwater for up to twelve hours. Propellers will be made from fiberglass.

14. (U) ECO observed four video cameras and one still camera mounted on the model HOV submersible. The still camera was mounted in the center fore and the video cameras were mounted on the port, starboard and keel of the submersible. In order to for ECO to record the serial numbers on the cameras, COMRA officials manually removed each camera from its mounting, which appeared to be steel clamps. ECO noted the following: one Ocean Imaging System still camera Model DSC4400 S/N 004, depth 7000m; one Phoenix colour video camera S/N PHX 152, 50 Hz, depth 7000m; one Phoenix colour video camera S/N PHX 151,

50 Hz, depth 7000m; one Mercury black/white camera S/N MER 061, depth 7000m; one Atlas video camera S/N ATL 016, depth 7000m. In response to specific questioning by ECO, COMRA officials stated that the cameras were received approximately a year ago and were shipped directly to Shanghai where they were transported to the CSSR in Wuxi (COMMENT: This is consistent with information in para. 5 of REFTEL C, BEIJING 9437.). The cameras did not exhibit any signs of wear or tear and do not appear to have been used.

¶5. (SECRET) COMRA officials stated that the purpose of the HOV submersible is to facilitate sea-bed research, particularly to explore manganese nodules, hydrothermal vents, cobalt crusts and other deep sea phenomena. Dr. LIU stressed that his work is purely research in nature with only civilian academic applications. Dr. LIU provided ECO with a brochure describing the HOV submersible project. According to this brochure, the HOV submersible was approved by the Ministry of Science and Technology as a National Key Project under the 863 Program. This brochure also provides technical specifications for the HOV submersible and numerous photographs, which can be made available to interested persons through direct request to the ECO.

¶6. (U) When pressed to explain why the cameras and syntactic buoyancy foam could not be viewed before this visit, Dr. Liu stated that China Customs strictly impounds in-bound shipments destined for non-profit organisations such as COMRA because these items enter duty-free. As a result, COMRA had to secure approvals from various agencies including MOFCOM,

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China Customs and the National Development and Reform Commission (NDRC), in order to have these items released. COMRA officials estimate that the syntactic buoyancy foam components may be released from China Customs within the next sixty days.

¶7. (SECRET - N/F) STRICTLY PROTECT: Dr. LIU has traveled several times to the United States for research exchanges with the Woods Hole Oceanographic Institution (WHOI) and has been invited again as part of a Chinese delegation to visit WHOI in October, 2006. Dr. LIU sought ECO's assistance in re-scheduling his visa interview appointment, noting that he was originally to appear for his visa interview on September 19, 2006, but canceled in order to be available for this Post-Shipment Verification visit. Dr. LIU provided the following information regarding the proposed Chinese delegation to WHOI:

LI Jiabiao, Deputy Director, Second Institute of Oceanography, State Oceanic Administration,
passport P5340668, date of birth 04/24/1961

LIANG Chujin, Senior Scientist, Second Institute of Oceanography, State Oceanic Administration,
passport P6218400, date of birth 09/22/1966

FENG Xuwen, Senior Scientist, Second Institute of Oceanography, State Oceanic Administration,
passport P6754086, date of birth 12/17/1968

LIU Feng, Deputy Director, China Ocean Mineral Resources R&D Association
passport P5448668, date of birth 03/02/1962

ZHOU Ning, Project Officer, China Ocean Mineral Resources R&D Association
passport P6008326, date of birth 01/16/1957

All have previously traveled to the United States.

¶8. (SECRET - N/F) RECOMMENDATION - INCONCLUSIVE. ECO notes that this is a partial Post-Shipment Verification. ECO was able to observe the cameras shipped against export licenses

D321523 and D321151, but was not able to independently verify where these items have been stored since shipment in late 2004. ECO was not able to independently verify COMRA's claims that these items were impounded by China Customs for almost a year, nor confirm where they have been stored since to the end-user. ECO did find COMRA officials including Dr. LIU Feng to be forthcoming and cooperative during the Post-Shipment Verification. ECO further notes that the HOV submersible is not yet complete nor has it been deployed. MOFCOM and COMRA officials have agreed to permit ECO access to the HOV submersible when it is installed on the DA YANG YI HAO in order to conduct the Post-Shipment Verification on the syntactic bouyancy foam shipped under export license D320998. Accordingly, ECO reserves final recommendation on these licenses until all Post-Shipment Verification activities can be completed.

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